

# **Report on the sustainability of the scheme**

**1 July 2013 to 30 September 2015**

October 2015

**Prepared by the Scheme Actuary**

## Introduction

This report presents analysis on the scheme experience to 30 September 2015 for the eight NDIS sites, including:

- **Participant satisfaction.** Participant satisfaction remains high. On a scale of very poor (-2) to very good (+2), with neutral being 0, participant satisfaction is at 1.63.
- **Participant numbers.** 22,960 participants were eligible for the scheme (109% of the bilateral target). This is an increase of 3,143 participants over the quarter. 19,758 participants had an approved plan (94% of the bilateral target), which is an increase of 2,455 participants over the quarter.
- **Total scheme costs.** Considering the number of participants who have entered the scheme and distribution of packages committed to these participants, the scheme is within the full scheme funding envelope.

The report also includes information on:

- **The amount of support committed to participants,** including trends, the distribution of packages committed to participants, and actual payments made to date.
- **Continuous improvement** to the scheme to ensure scheme sustainability, including the development of references packages and an outcomes framework.

It is important to note that it is early stages in the roll out of the NDIS. Scheme experience will emerge over time and allow more thorough analysis of financial sustainability.

## Scheme experience (1 July 2013 to 30 September 2015)

### *Participant satisfaction*

Participant satisfaction with the Agency has remained very high in recent months. Satisfaction is reported on a scale of very poor (-2) to very good (+2), with neutral being 0. The participant satisfaction level is currently 1.63, consistent with the June results.

### *Participants*

As at the 30 September 2015 (Table 1):

- 22,960 participants were eligible for the scheme (109% of the bilateral target). This is an increase of 3,143 participants since 30 June 2015.
- 19,758 participants had an approved plan (94% of the bilateral target). This is an increase of 2,455 participants since 30 June 2015.
- The number of participants relative to the bilateral agreements is higher compared with the June 2015 results (109% compared with 107%), and the number of participants with approved plans relative to the bilateral agreements has remained constant compared with the June 2015 results at 94%.
- The actuarial baseline model used a different methodology to determine the likely number of participants in each trial site. This analysis resulted in different estimates to the bilateral agreements. The number of participants in the scheme to date compared with the actuarial baseline model is included in Appendix A. As the trial sites were resourced in line with the bilateral agreements, the estimated number of participants in the actuarial model is difficult to achieve.

**Table 1 Eligible participants and participants with approved plans**

1 July 2013 to 30 September 2015	NSW (Hunter)	NSW (Nepean Blue Mountains)	SA	TAS	VIC	ACT	NT	WA	Total
Number of expected participants (bilateral agreements) <sup>1,2</sup>	6,300	167	4,787	922	4,665	2,246	154	1,872	21,113
Number of participants (active & inactive participants)	5,602	398	6,332	1,124	4,982	2,704	103	1,715	22,960
<i>Percentage deemed eligible compared with expected</i>	89%	238%	132%	122%	107%	120%	67%	92%	109%
Number of participants with current approved plans (active & inactive participants)	5,047	50	5,235	1,003	4,685	2,176	100	1,462	19,758
<i>Percentage with approved plans compared with expected</i>	80%	30%	109%	109%	100%	97%	65%	78%	94%

<sup>1</sup> Bilateral agreement targets are targets for approved plans, rather than participants. The NDIS funding responsibility begins from the date of first plan approval. There is a lag between a participant being deemed eligible and having their plan approved.

<sup>2</sup> Where bilateral agreement targets are quarterly (or in the case of Nepean Blue Mountains across four months), the monthly target is pro-rated evenly across the months (e.g. monthly target is one third of quarterly target).

### *Trends in plan approvals*

Figure 1 and Figure 2 show participants with approved plans by month compared with the bilateral agreements and the actuarial model.

In the September 2015 quarter, plan reviews represented more than half of plans approved in the New South Wales - Hunter (64% of plans), South Australian (51% of plans), Tasmanian (83% of plans) and Victorian trial sites (75% of plans).

In the South Australian trial site, the bilateral number of 5,085 was reached on 31 August 2015. Careful consideration of phasing over the remainder of 2015-16 is required if funding for participant packages is not increased in order to remain within the funding envelope. Consequently there was a reduction in the number of plans approved in the September 2015 quarter.

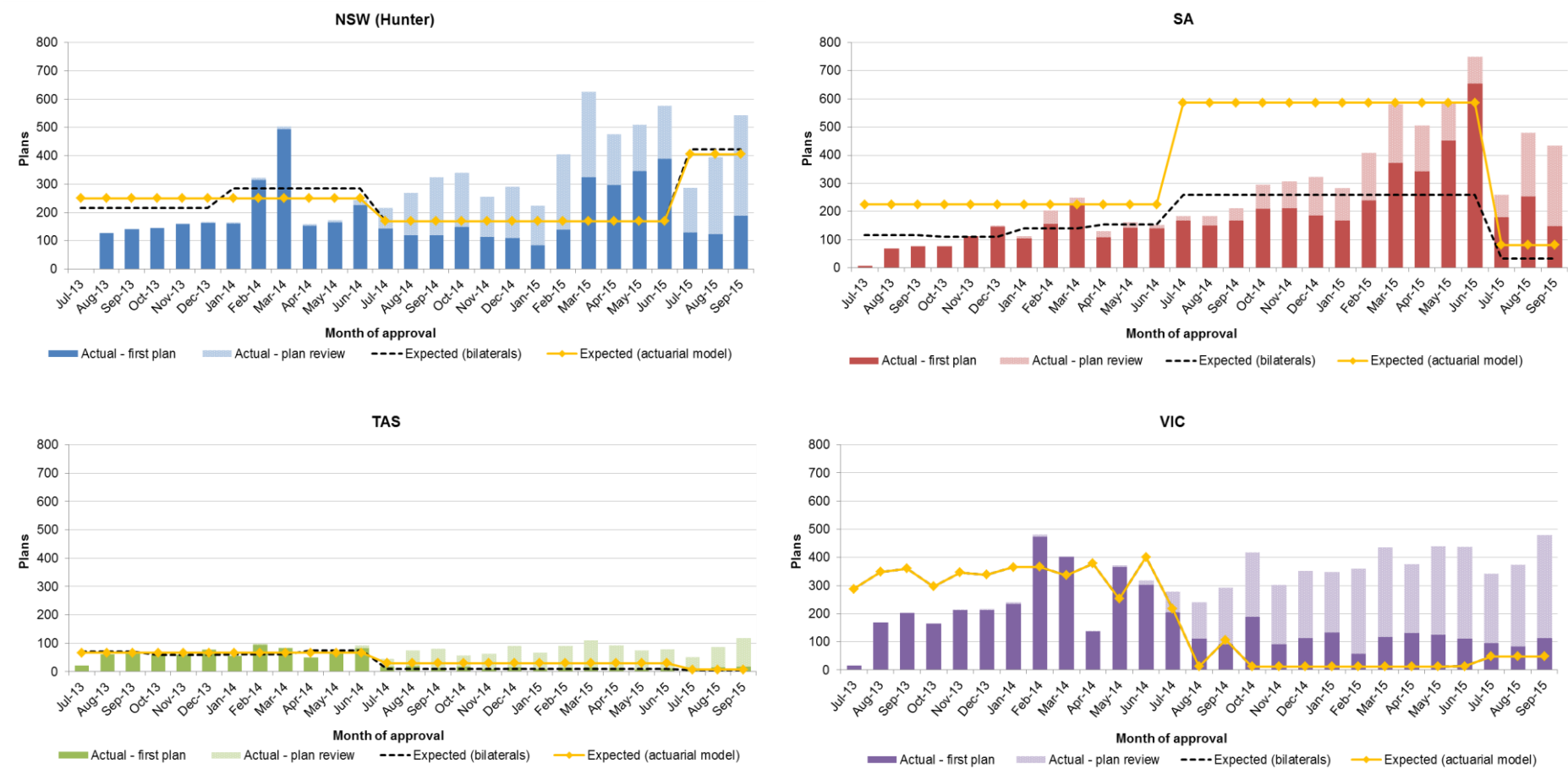
The number of participants in the scheme in the Northern Territory trial site increased in September 2015, with an additional 30 participants receiving an approved plan.

The number of participants receiving their first approved plan in the Australian Capital Territory trial site this quarter slightly exceeded the bilateral target, with the majority of approvals made in the last month. This trend has been observed in previous quarters.

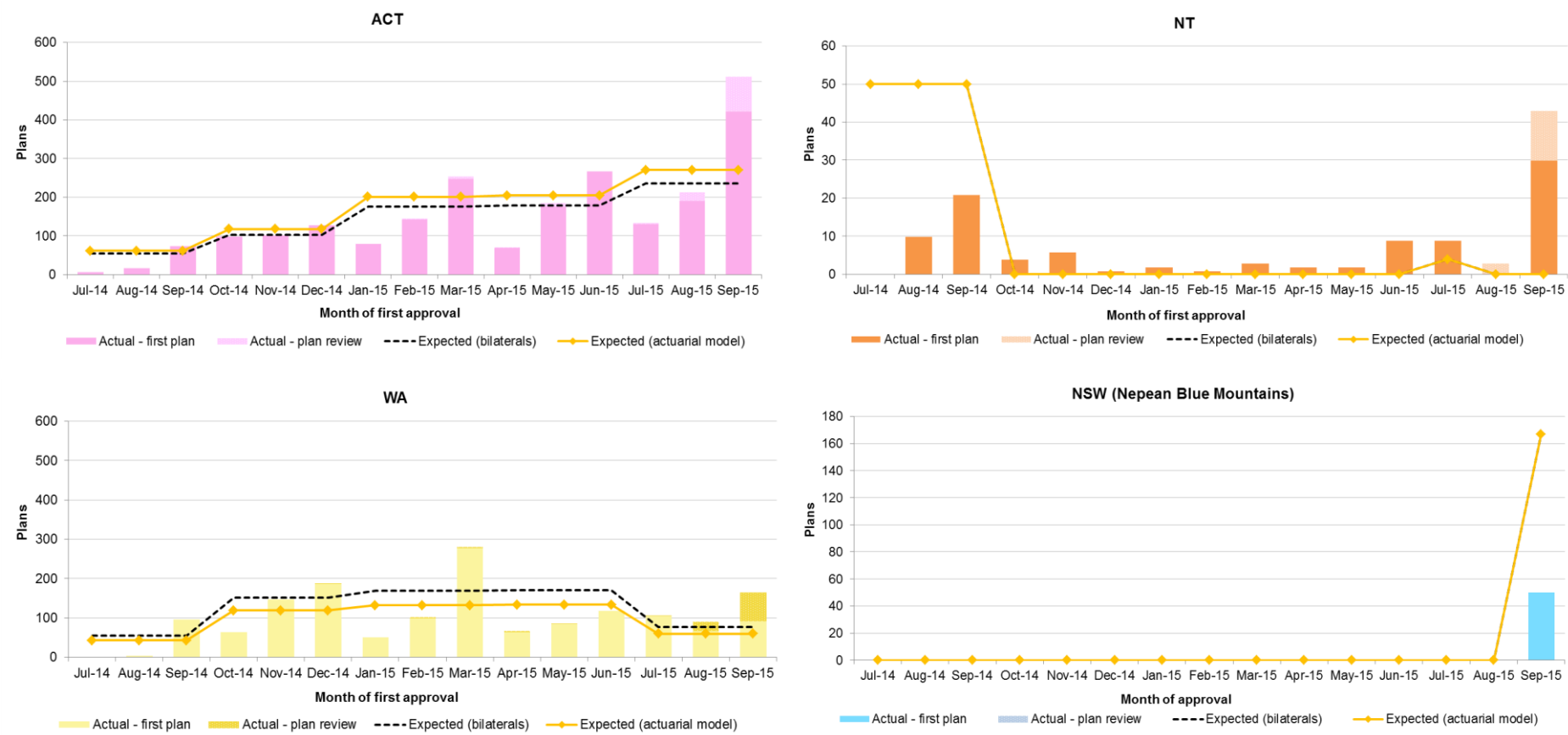
On 1 July 2015, an early roll out to full scheme commenced in the New South Wales (Nepean Blue Mountains) site with plans being approved from 1 September. In the first month of operation 50 participants received an approved plan (Figure 2).

Note: the Northern Territory and Western Australian trial sites did not schedule any plan approvals in the first month of operations.

**Figure 1 Participants with approved plans by month compared with the bilateral agreements and the actuarial model – NSW - Hunter, SA, TAS and VIC trial sites**



**Figure 2 Participants with approved plans by month compared with the bilateral agreements and the actuarial model – ACT, NT, WA and Nepean Blue Mountains trial sites<sup>3</sup>**



<sup>3</sup> The vertical axis is different for the NT and Nepean Blue Mountains trial sites.

## ***Committed support***

As at 30 September 2015, 19,758 participants (active and inactive) have approved plans, and \$1,201.1 million of support has been committed to these participants (Table 2).

Of this \$1,201.1 million:

- It is estimated that \$140.9 million (12%) was provided in 2013-14 (including actual paid to date). The funding envelope based on the bilateral agreements for 2013-14 is \$148.8 million, including cash and in-kind. Hence, for participants who have entered the scheme in the first year, committed support for 2013-14 is around 95% of the funding envelope (Table 2).<sup>4</sup>
- \$497.2 million (41%) is estimated to be provided in 2014-15. This compares with the funding envelope based on the bilateral agreements for 2014-15 of \$456.9 million, including both cash and in-kind. Therefore, for participants who have entered the scheme to date, committed support for 2014-15 is around 109% of the funding envelope for 2014-15 (Table 2).

On a committed support basis the funding envelope has been exceeded for 2014-15. However, as not all support has been invoiced the NDIS will be under the funding envelope for 2014-15.

- \$534.1 million (44%) is estimated to be provided in 2015-16. The funding envelope based on the bilateral agreements for 2015-16 is \$863.9 million, including both cash and in-kind. Thus, for participants who have entered the scheme to date, committed support for 2015-16 is 62% of the funding envelope for 2015-16.
- \$28.9 million (2%) is expected to be provided in 2016-17 and beyond.

Committed support compared with the bilateral agreement is not reflective of full scheme costs which are estimated to be in line with the funding envelope.

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<sup>4</sup> Note that the amount of committed supports expected to be provided in both 2013-14 and 2014-15 has increased since the end of these financial years. The main reasons for this increase include correction of errors in funded supports entered into Siebel, funded supports being added and quotes from providers being received and updated in plans.

**Table 2 Committed support to date and amount committed to be provided in 2013-14, 2014-15, 2015-16 and 2016-17**

Total			Total (excl. large residential centres)	
Expected to be provided (\$m)				
2013/14	\$140.9	12%	\$133.5	13%
2014/15	\$497.2	41%	\$428.6	40%
2015/16	\$534.1	44%	\$472.1	45%
2016/17	\$28.9	2.4%	\$25.9	2%
Total	\$1,201.1	100%	\$1,060.1	100%
Funding envelope for 2013/14 (\$m)			\$148.8	
Expected to be provided in 2013/14 as a proportion of 2013/14 funding envelope		95%		90%
Funding envelope for 2014/15 (\$m)			\$456.9	
Expected to be provided in 2014/15 as a proportion of 2014/15 funding envelope		109%		94%
Funding envelope for 2015/16 (\$m)			\$863.9	
Expected to be provided in 2015/16 as a proportion of 2015/16 funding envelope		62%		55%

### **Actual payments**

Actual payments to service providers as at 30 September 2015 were \$552.1 million, of which \$90.1 million relates to supports provided in 2013-14, \$358.5 million related to supports provided in 2014-15 and \$102.7 million related to supports provided in 2015-16.

- Actual payments to date for supports provided in 2013-14 represent 65% of all committed supports.
- Actual payments to date for supports provided in 2014-15 represent 72% of all committed supports.
- Actual payments to date for all supports 68% of all committed supports

### *Trends in average package cost*

The average annualised package cost across all trial sites at the end of September 2015 is approximately \$39,087 including large residences (Stockton, Kanangra and Colanda)<sup>5</sup>, and approximately \$34,831 excluding Stockton, Kanangra and Colanda.<sup>6</sup> Average annualised package costs on a monthly basis are presented in Figure 3 and Figure 4.

The average package costs for participants in the trial sites that commenced on 1 July 2014 are not representative of the overall average cost due to the way that existing participants are being phased into the scheme. In the Northern Territory in particular four participants in shared supported accommodation with high support needs came into the scheme in November.

The average annualised package cost in the New South Wales, South Australian, Tasmanian and Victorian trial sites is approximately \$38,669 including Stockton, Kanangra and Colanda, and approximately \$33,357 excluding Stockton, Kanangra and Colanda.

Note: the benchmark average annualised package cost for 2015-16 is \$38,588 reflecting the inflation factor included in the bilateral agreements.

Note: Average annualised package cost is not an appropriate measure of scheme performance when considered in isolation from other metrics. It is important to consider the number of scheme participants, the distribution of packages committed to these participants and actual payments for supports provided. All of these factors contribute to the overall cost.

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<sup>5</sup> Stockton and Kanangra are large residences in the New South Wales trial site and Colanda is a large residential centre in the Victorian trial site.

<sup>6</sup> New South Wales (Hunter) did not specify the average cost of providing supported accommodation in the Stockton and Kanangra large residential centre and hence an estimate has been used.

**Figure 3 Average annualised committed package cost by trial site – monthly averages (NSW - Hunter, SA, TAS and VIC)**



Figure 4 Average annualised committed package cost by trial site – monthly averages (ACT, NT, WA and NSW – Nepean Blue Mountains)<sup>7,8</sup>



<sup>7</sup> Note: the number of participants with approved plans in the Northern Territory is low. Hence numbers should be treated with caution.  
<sup>8</sup> The vertical axis is different for each trial site.

### *Distribution of package costs*

Consistent with the June 2015 results, across all trial sites the distribution of support packages differed from expectations. In particular, a higher proportion of low cost participants were expected compared with actual experience, and low proportion of mid-range packages (with the exception of \$10k-\$30k). High cost participants are largely in line with expected.

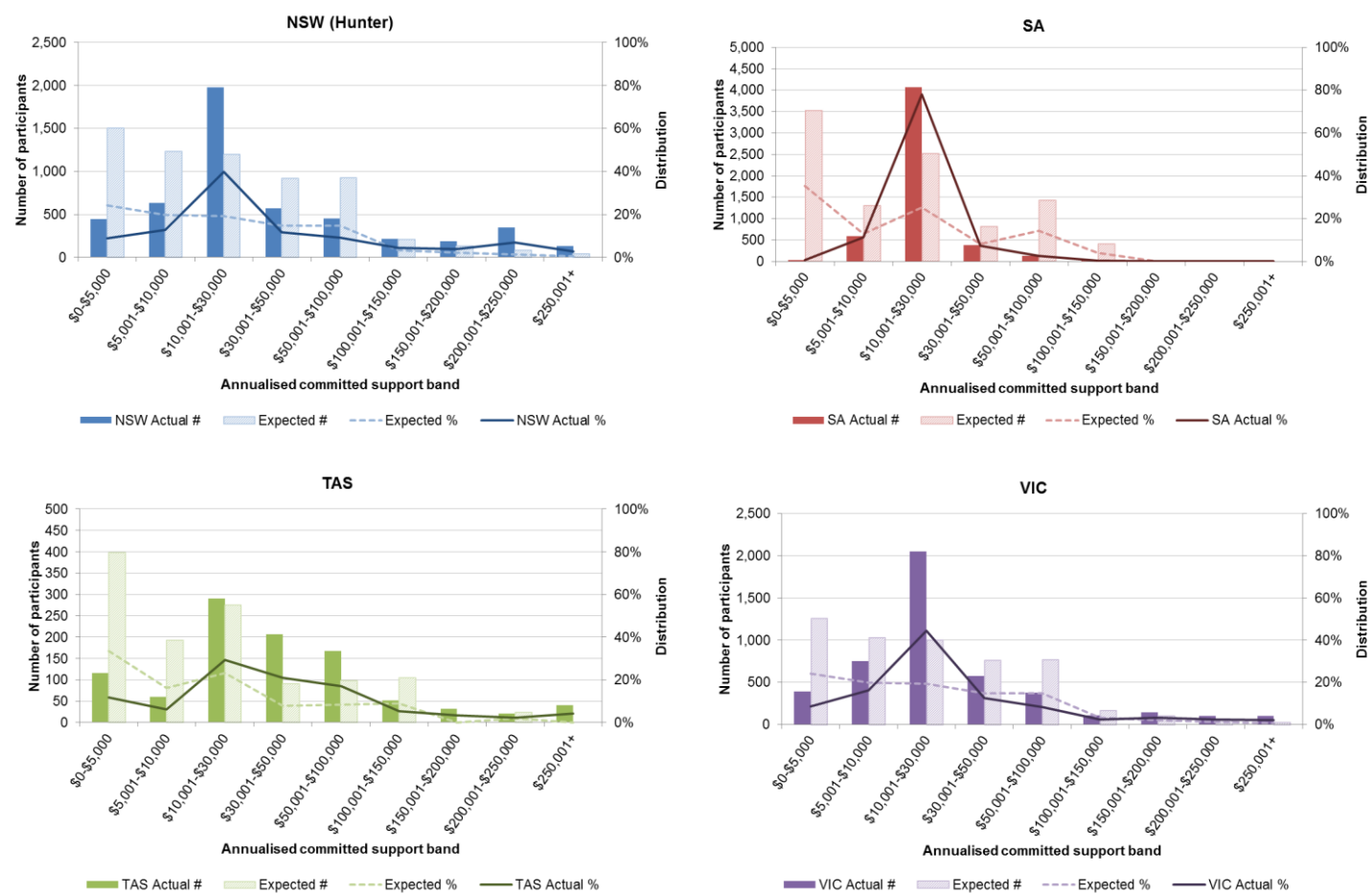
The distribution of cost is highly skewed towards a small number of participants with high cost packages— specifically, of the 9,157 active participants with approved plans in the New South Wales (Hunter) and Victorian trial sites excluding the Stockton, Kanangra and Colanda large residences, 6,245 participants have an annualised package cost of less than \$30,000 (68%).

The total annualised package cost of the 6,245 participants with support packages of less than \$30,000 is \$83.5 million which represents only 23% of total committed supports. On the other hand, the total annualised package cost of the 939 participants with (10%) support packages of more than \$100,000 is \$172.9 million which represents 48% of total committed supports.<sup>9</sup> Therefore, the total cost of the scheme will be driven by the relatively few participants with high cost plans.

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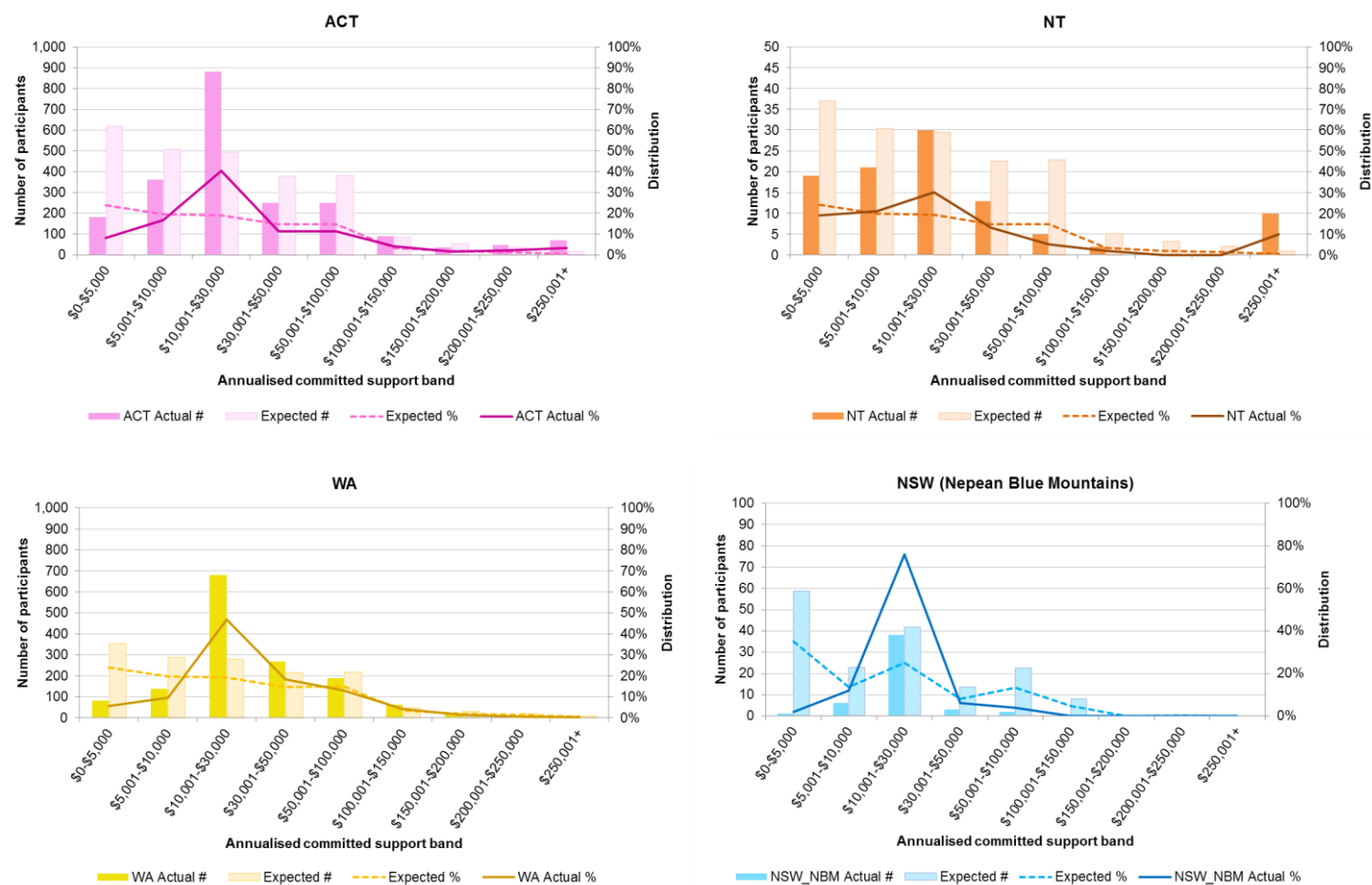
<sup>9</sup> The Stockton, Kanangra and Colanda large residences result in high concentrations of high cost people in specific geographical areas. For this reason Stockton, Kanangra and Colanda have been excluded from this analysis.

Figure 5 Distribution of package costs by trial site – NSW - Hunter, SA, TAS and VIC trial sites<sup>10</sup>



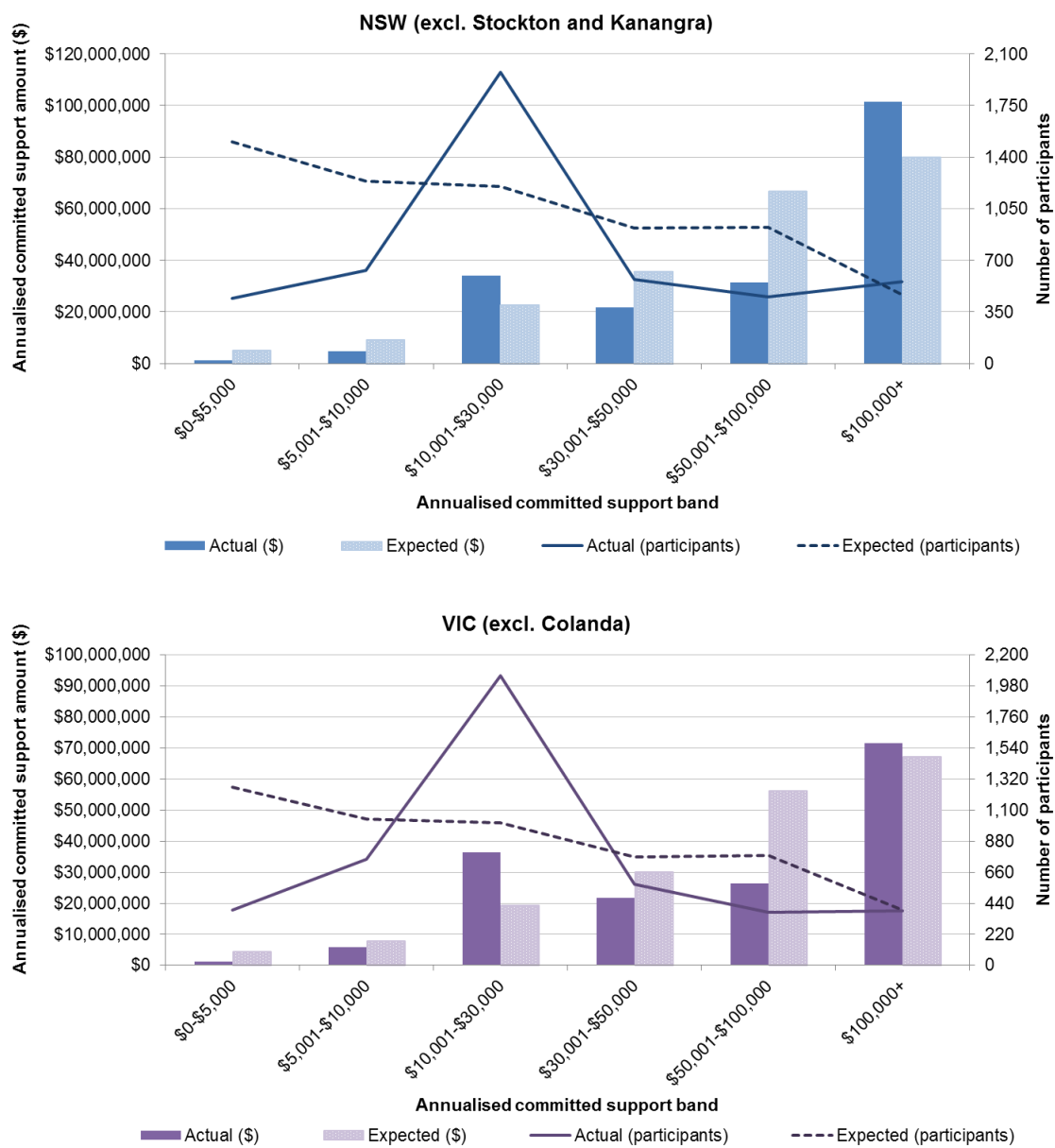
<sup>10</sup> The vertical axis is different for each trial site

Figure 6 Distribution of package costs by trial site – ACT, NT, WA, and NSW - Nepean Blue Mountains sites<sup>11</sup>



<sup>11</sup> The vertical axis is different for the NT and Nepean Blue Mountains trial sites

**Figure 7 Total package costs and number of participants by trial site and annualised committed support band**



## Continuous improvement

The National Disability Insurance Agency continues to improve the scheme in response to scheme experience. This aims to ensure that the objectives of the scheme are being met for participants, and the scheme remains financially sustainable.

Two pieces of work that will continue to assist with achieving participant outcomes and financial sustainability are the development of the reference packages and the development of an outcomes framework.

### *Reference packages*

Reference packages are being developed to assist with detailed monitoring of scheme experience, including analysis of potential cost drivers. Reference packages aim to provide an annual benchmark funding level of support for participants with similar support needs and characteristics. Reference packages also allow a referential link between resource allocation to individual participants (that is, the amount of funded support provided to each individual participant) and the overall funding envelope.

A pilot of the reference packages commenced in February 2015 and data have now been collected for over 1000 participants.

Note: the reference package is not a benchmark used to determine the support a participant receives, but rather allows detailed monitoring to be undertaken.

### *Outcomes framework*

Work has been undertaken to develop an outcomes framework for measuring participant and family/carer outcomes. The development of this outcomes framework considers how outcomes can be measured at the scheme level as well as the individual level.

The development of this framework has involved consideration of a number of domestic and international frameworks, and has included consultations with a range of experts and stakeholders, including the Independent Advisory Council.

The framework includes eight participant domains – choice and control, daily activities, relationships, home, health and wellbeing, lifelong learning, work, and social, community & civic participation – as well as outcomes related specifically to families/carers.

The outcomes framework was piloted in the first three months of 2015. The results of the pilot, along with feedback from consultation with the disability sector were used to refine the framework. The framework is currently being piloted in NDIA business processes.

## Appendix A

This appendix provides a comparison of the number of participants in the scheme to date compared with the actuarial baseline model.

**Table A.1 Participants compared with the actuarial baseline model**

1 July 2013 to 30 September 2015	NSW (Hunter)	SA	TAS	VIC	ACT	NT	WA	NSW (Nepean Blue Mountains)	Total
Number of expected participants (bilateral agreements) - (a) <sup>12,13</sup>	6,300	4,787	922	4,665	2,246	154	1,872	167	21,113
Number of expected participants (actuarial model) - (b)	6,248	9,978	1,184	5,244	2,567	154	1,467	167	27,010
Number of participants (active & inactive participants)	5,602	6,332	1,124	4,982	2,704	103	1,715	398	22,960
Percentage deemed eligible compared with expected - (a)	89%	132%	122%	107%	120%	67%	92%	238%	109%
Percentage deemed eligible compared with expected - (b)	90%	63%	95%	95%	105%	69%	117%	238%	85%
Number of participants with current approved plans (active & inactive participants)	5,047	5,235	1,003	4,685	2,176	100	1,462	50	19,758
Percentage with approved plans compared with expected - (a)	80%	109%	109%	100%	97%	65%	78%	30%	94%
Percentage with approved plans compared with expected - (b)	81%	52%	85%	89%	85%	67%	100%	30%	73%

<sup>12</sup> Bilateral agreement targets are targets for approved plans, rather than participants. The NDIS funding responsibility begins from the date of first plan approval. There is a lag between a participant being deemed eligible and having their plan approved.

<sup>13</sup> Where bilateral agreement targets are quarterly (or in the case of Nepean Blue Mountains across four months), the monthly target is pro-rated evenly across the months (e.g. monthly target is one third of quarterly target).